

Message Text

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UNCLAS SECTION 1 OF 2 PRETORIA 1934

FOR GRAIN & FEED DIV

EDITOR, FOREIGN AGRICULTURE

PASS: MARX, ERS

FROM: KINZHUBER

SUBJECT: SOUTH AFRICAN CORN CROP SEEN DOWN FIFTEEN PERCENT
BELOW LAST YEAR.

TOFAS 34:

1. IN SPITE OF INCREASED PLANTING, SOUTH AFRICA'S 1976 CORN CROP
IS LIKELY TO TOTAL ONLY 7.8 MILLION METRIC TONS. THIS IS 1.3 MILLION
TONS LESS THAN LAST YEAR'S CORN CROP AND 3.2 MILLION TONS LESS THAN
THE RECORD 1974 CROP OF MORE THAN 11 MILLION TONS.

2. THE 1976 AREA ESTIMATE UNDER CORN OF 4,548,400 HECTARES,
ON FARMS OF WHITES, IS MORE THAN 60,000 HECTARES ABOVE THAT
PLANTED LAST SEASON AND 85,000 HECTARES MORE THAN PLANTED IN
1974 WHICH PRODUCED THE LARGEST CORN CROP IN SOUTH AFRICA'S HISTORY.
ALTHOUGH A CROP OF THIS SIZE WILL BE CONSIDERABLY SMALLER THAN THE CRO
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OF PREVIOUS TWO SEASONS, IT WILL BE CONSIDERABLY LARGER THAN THE ANNUA
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AVERAGE OUTPUT OF CORN SINCE 1960, WHICH WAS 7 MILLION METRIC TONS.

3. PREDOMINANT FACTOR THAT AFFECTED THIS YEAR'S CORN CROP OUT-TRUN WAS LATE APRING RAINS, WHICH DELAYED PLANTINGS. EXCEPTIONALLY WET CONDITIONS DURING JANUARY, FEBRUARY AND MARCH 1976, AMONG OTHER THINGS, WERE RESPONSIBLE FOR POOR POLLINATION AND FOR DROWING IN CERTAIN PARTS.

4. AGATTACHE JUST RETURNED FROM FIELD TRAVELS IN CORN GROWING AREAS OF SOUTH AFRICA AND LESOTHO- HAS OBSERVED FOLLOWING DEVELOPMENTS:

THE WESTERN TRANSVAAL HAS SUFFERED THE LARGEST EXTENT OF THE FLOOD DAMAGE, PARTICULARLY IN THE AREAS OF DELAREVILLE AND SCHWEIZER-RENEKE. NORMALLY THIS IS THE AREA IN WHICH CORN PRODUCTION DURING GOOD CLIMATIC CONDITIONS IS ANTICIPATED ON THE LARGEST SCALE. EASTERN TRANSVAAL AREA IS SEEN TO PRODUCE MORE CORN THIS YEAR THAN LAST YEAR. THE EXTENSIVE AREA OF THE CORN TRIANGLE, PARTICULARLY IN THE NORTH-WESTERN ORANGE FREE STATE SUFFERED CONSIDERABLE DAMAGE DUE TO EXCESSIVE RAINS AND, OBSERVERS ON THE SPOT DOUBT THAT CORN HARVEST IN THAT AREA WILL REACH SIXTY PERCENT OF LAST YEAR'S PRODUCTION. THE NORTH EASTERN FREE STATE, WESTERN NATAL AND LESOTHO, HAVING AT THE BEGINNING OF THE YEAR FAVOURABLE CLIMATIC CONDITIONS, SUFFERED CONSIDERABLE WATER DAMAGE AT THE END OF MARCH AND BEGINNING OP APRIL. THE MOUNTAINOUS KINGDOM OF LESOTHO, WHERE RAINS CONTINUED FOR SEVERAL WEEKS AT A TIME, REPORTED CORN CROP FAILURE IN EXCESS OF 60 PERCENT FOR THIS AREA. BECAUSE OF ROAD AND TRAIL WASHOUTS IN REMOTE MOUNTAINOUS AREAS, AIRLIFT OF FOOD WAS REQUIRED BUT, LATEST OBSERVATIONS INDICATE THAT FOOD WAS BROUGHT IN FROM REPUBLIC OF SOUTH AFRICA AND THERE IS NO MORE FOOD SHORTAGE AT PRESENT.

5. ON THE BASIS OF THE TRENDS IN THE DOMESTIC CONSUMPTION OF CORN OVER THE PAST SEVERAL YEARS IT IS BELIEVED THAT THE TOTAL SOUTH AFRICAN DOMESTIC CONSUMPTION IN THE 1976-77 MARKETING YEAR, WHICH STARTS ON MAY 1, 1976, WILL BE ABOUT 6.5 MILLION METRIC TONS. ON THE BASIS OF THIS FIGURE, THE EXPECTED SIZE OF THE CROP AND THE ESTIMATED TOTAL CARRYOVER STOCKS OF ABOUT 1.6 MILLION TONS AT THE END OF THE 1975-76 SEASON, THE SOUTH AFRICAN MAIZE BOARD WILL HAVE ONLY ABOUT 2.9 MILLION METRIC TONS OF CORN FOR EXPORT AND FOR INVENTORY PURPOSES DURING THE 1976-77 MARKETING YEAR. THIS MEANS THAT AFTER PROVIDING FOR THE NORMAL DOMESTIC STOCK LEVEL OF 900,000 UNCLASSIFIED

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METRIC TONS, THE MAIZE BOARD WILL HAVE ABOUT 2.0 MILLION TONS OF CORN AVAILABLE FOR EXPORT IN THE COURSE OF THE 1976-77 SEASON.

6. THE PROSPECTS AT PRESENT ARE THAT SOUTH AFRICAN MAIZE BOARD WILL NOT BE ABLE TO MAINTAIN A FULL CORN EXPORT PROGRAM DURING THIS MARKETING YEAR. UP TO THE END OF 1976, THAT IS DURING THE FIRST EIGHT MONTHS OF THE NEW SEASON, ABOUT 1.8 MILLION METRIC TONS OF CORN, TO THE VALUE OF \$187.2 MILLION COULD BE PHYSICALLY EXPORTED.

FOR THE REMAINDER OF THE MARKETING YEAR, THAT IS DURING THE LAST FOUR MONTHS OF THE SEASON, ONLY ABOUT 200,00 METRIC TONS OF CORN WOULD MOVE INTO SHIPPING CHANNELS WHICH IS BELOW SOUTH AFRICA'S EXPORT CAPACITY.

7. VIEWED AGAINST THE CROP AND MARKET PROJECTIONS IN THE REST OF THE WORLD, OBSERVERS HERE BELIEVE THAT FAIRLY FAVORABLE MARKET CONDITIONS FOR CORN WILL ONCE AGAIN BE EXPERIENCED DURING 1976-77 SEASON AS FAR AS FOREIGN EXCHANGE EARNINGS IS CONCERNED TO BE ARRIVED FROM THIS SEASON'S CORN EXPORTS.

IF AN AVERAGE PRICE OF PRODUCTION CAN BE OBTAINED, AS IS BELIEVED AT PRESENT, IT WOULD MEAN THAT THE TOTAL EXPORT EARNING FROM THE 2.0 MILLION METRIC TONS OF CORN, WHICH WILL BE AVAILABLE FOR EXPORT IN THE 1976-77 MARKETING YEAR, WOULD AMOUNT TO \$208 MILLION.

8. A DIFFERENT PICTURE, HOWEVER, IS DEVELOPING IN SOUTH AFRICA'S GRAIN SORGHUM CROP ESTIMATE FOR 1976. AGATTACHE'S OBSERVATIONS IN THE FIELD SHOW THAT GRAIN SORGHUM PRODUCTION, SIMILARLY TO CORN, SUFFERED HEAVILY DUE TO EXCESSIVE RAINS AND FLOODS. THE MINISTRY OF AGRICULTURE'S LATEST GRAIN SORGHUM PRODUCTION ESTIMATE OF APRIL 23, 1976 HOWEVER PUTS THE CROP FOR 1976 AT 337,000 METRIC TONS, WHICH AGATTACHE AND MAIZE BOARD BELIEVES TO BE TOO HIGH. IT IS DOUBTFUL WHETHER SOUTH AFRICA WILL PRODUCE MORE THAN 250,000 TO 300,000 METRIC TONS OF GRAIN SORGHUM THIS YEAR. FOLLOWING, HOWEVER, THE OFFICIAL ESTIMATE, AND AS MATTERS STAND AT PRESENT, THERE IS LITTLE LIKELIHOOD THAT ANY SOUTH AFRICAN GRAIN SORGHUM OF THIS SEASON WILL BE EXPORTED. FOLLOWING IS CURRENT REASONING BEHIND THIS ANALYSIS:- TAKEN INTO ACCOUNT BEGINNING STOCKS OF 78,000 METRIC TONS ON MAY 1, 1976, PLUS THIS YEAR'S ESTIMATED PRODUCTION OF 337,000 TONS, PROVIDES TOTAL SUPPLY OF GRAIN SORGHUM OF 415,000 METRIC TONS IN M.Y. 1976. ON FARM- CONSUMPTION IS EXPECTED TO BE HIGHER THIS YEAR OF ABOUT UNCLASSIFIED

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77,000 TONS BECAUSE OF LOW QUALITY. LOCAL COMMERCIAL CONSUMPTION, CURRENTLY ESTIMATED AT 276,000 METRIC TONS IS EXPECTED TO BE DOWN BY 20,000 AS COMPARED WITH LAST YEAR, BECAUSE IT IS BELIEVED GRAIN SORGHUM WILL NOT BE USED IN THE MIXING SCHEME. TOTAL CONSUMPTION, THEREFORE, BOTH ON FARMS AND COMMERCIAL, FOR MY 1976-77 IS ESTIMATED AT 353,000 TONS, LEAVING ENDING STOCKS AT ABOUT 62,000 TONS, ABOUT 16,000 TONS LESS THAN ENDING STOCKS OF MY 1975-76. WHILE LAST YEAR'S EXPORTS OF GRAIN SORGHUM ARE PEGGED AT 188,000 METRIC TONS, THERE IS NO GRAIN SORGHUM LEFT FROM MY 1976-77 FOR EXPORT AS CALCULATED AT PRESENT. THE SUPPLY AND DISTRIBUTION OF GRAIN SORGHUM IN M.Y. 1976 WILL FURTHER DETERIORATE WHEN THE MINISTRY OF AGRICULTURE DECIDES TO LOWER THEIR CURRENT GRAIN SORGHUM PRODUCTION ESTIMATES.

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9. ON APRIL 26, THE MINISTER OF AGRICULTURE ANNOUNCED NEW CORN PRICES TO PRODUCERS. ACCORDING THE THE NEW SCHEME, CORN FARMERS IN THE CONTROLLED AREAS WILL RECEIVE AN INCREASE IN PRICE OF \$10.35 PER TON- FROM \$64.40 TO \$74.75 FROM MAY 1 '76. THEY WILL RECEIVE AN ADDITIONAL \$6.90 PER TON FROM THE MAIZE BOARD PROFITS ON THE PRESENT SEASON'S EXPORTS IN COMPENSATION FOR LOSSES DUE TO HEAVY RAINS.

10. ACCORDING TO PRESS REPORTS, THE PRICE INCREASE WILL AFFECT MAINLY THE BLACK WORKER, WHOSE DIET DEPENDS PREDOMINANTLY ON MEALIE-MEAL (NAME FOR LOCAL CORN MEAL CONSUMED DAILY BY MAJORITY OF POPULATION). THE CONTROLLED PRICE INCREASE TO CONSUMERS WILL BE \$10.35 PER TON FROM \$57.50 TO \$67.85 PER METRIC TON. THEREFORE A FIVE KILOGRAM BAG OF MEALIE MEAL IS EXPECTED TO RISE BY 6 TO 12 U.S. CENTS.

TO PREVENT THE SELLING PRICE FROM EXCEEDING \$67.85 A TON, THE MAIZE BOARD IS CONTRIBUTING \$3.45 PER TON SUBSIDY FROM ITS SEASON'S EXPORT PROFITS AND THE GOVERNMENT WILL PAY A SPECIAL SUBSIDY OF \$3.45 PER METRIC TON ACCORDING TO LATEST REPORTS.

11. OVER THE PAST YEAR FOOD PRICES IN SOUTH AFRICA HAVE RISEN BY NEARLY EIGHT PER CENT. THE NEW INCREASES IN STAPLE FOOD PRICES, COMING ON TOP OF RISES IN RENT, TRANSPORT, AND CLOTHING COSTS, ARE GOING TO HIT THE BLACK POPULATION HARDEST.

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MEANWHILE THE SOUTH AFRICAN AGRICULTURAL UNION HAS CONDEMNED THE APPROPRIATION OF CORN PRODUCER'S EXPORT PROFITS TO SUBSIDIZE THE CONSUMER PRICE. IT ALSO FEELS THAT FARMERS HAVE BEEN GIVEN A RAW DEAL BECAUSE, QUOTE NO ADJUSTMENT HAS BEEN MADE TO KEEP NET INCOME CONSTANT END QUOTE.

13. FURTHER ANALYSIS ON GRAIN AND FEED SITUATION IN SOUTH AFRICA IN PREPARATION FOR SCHEDULED REPORT DUE FAS/W IN MAY 15. EXCHANGE RATE 1 S.A. RAND - US \$1.15.
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